Tapash Pramanik

Jute sector losing edge due to high costs, old technology

Says chairman of jute spinners' association

SUKANTA HALDER

Bangladesh's jute industry is losing global competitiveness as outdated machinery, low productivity and high energy costs keep production expensive, while rival countries have modernised and achieved better cost efficiency, said Bangladesh Jute Spinners Association (BJSA) Chairman Tapash Pramanik.

Speaking to The Daily Star in a recent interview, he said the sector remains heavily dependent on traditional products such as yarn, hessian and sacks, even as global demand has shifted towards diversified, value-added and blended eco-friendly goods.

"Bangladesh has lagged in research and development, design development and the commercialisation of new jute-based products," he noted.

Jute used to be one of the most prominent products of this region. Its high economic value and importance as a cash crop once earned it the moniker of the "golden fibre". But over the decades, it has lost its glory.

"The sector is largely treated as a legacy industry to be protected, not as a modern agro-industrial value chain to be rebuilt," Pramanik said.

Noting that the sector has environmental advantages, he said it has nevertheless failed to regain its former prominence due to structural, policy-driven and market-oriented challenges, while most government initiatives have been fragmented rather than transformative.

He pointed out the stark difference in policy support for the readymade garments (RMG) industry, the current crown jewel of Bangladesh's export economy, and the jute industry.

He pointed out that RMG benefited from predictable incentives, modern machinery, high productivity, export-focused strategies, access to low-cost finance and continuous R&D, enabling rapid global integration and higher margins.

In contrast, he said the jute sector remained dependent on bulk, low-value products, suffered from outdated technology, financial constraints, weak institutional support and limited innovation, leaving it stagnant in exports and unable to capture emerging global opportunities.

Policy failures played the most decisive role in holding back the sector, according to the BJSA chairman. "Weak and inconsistent policies discouraged long-term investment in modernisation and reinforced both technological stagnation and managerial inefficiency."

He also identified limited financial incentives and poor enforcement of laws, such as mandatory jute packaging, which undermined market confidence and demand.

State dominance without meaningful reform also allowed inefficient public sector mills to continue operating without accountability, he added.

At present, according to Pramanik, the most serious concern for the sector is high production costs, driven by obsolete machinery, low labour productivity, high energy prices and expensive financing. "These factors make jute products less competitive than synthetic alternatives and other natural fibres."

Limited access to affordable finance has further restricted modernisation, as mills struggle to secure low-interest, long-term loans.

Technological stagnation remains widespread, resulting in low efficiency, high wastage and inconsistent quality, he added.

Weak product diversification is another major challenge.

Despite growing global demand for diversified and lifestyle-oriented jute products, exports remain dominated by traditional, low-value items.

"Inconsistent policy support and weak enforcement create uncertainty for investors and exporters," Pramanik said.

Quality control issues, logistics bottlenecks, and the absence of strong global branding and effective trade diplomacy continue to erode Bangladesh's position in the international jute market, he added.

To overcome these challenges, Pramanik said the sector requires a coordinated approach in which the government acts as an enabler while private enterprises function as market drivers.

The government, he said, should provide stable, long-term policy support by recognising jute as a strategic export sector and strictly enforcing existing jute laws to stabilise domestic and export demand.

It should also offer affordable financing through low-interest working capital facilities and technology upgradation funds, while reforming sector institutions to improve accountability and ensure industry-oriented research and development (R&D).

Support for product diversification, quality certification and international branding, backed by active trade diplomacy, is equally essential, he also said.

Private enterprises, on the other hand, should prioritise modernising production, improving efficiency and shifting away from low-value commodity exports.

He added that effective public–private coordination through a joint sector platform is necessary to align policy, finance and market strategies for sustainable transformation.

For more than a decade, export earnings from jute and jute goods have stagnated between $900 million and $1 billion.

Breaking this deadlock, Pramanik said, will require deep structural reforms rather than short-term incentives.

The sector must move from volume-based, low-margin exports to value-based, diversified products with higher unit returns, he said.

A sector-wide technology and productivity reset is a must, including the creation of a dedicated jute technology upgradation fund and the phased replacement of obsolete machinery, said Pramanik, also the managing director of Teamex Jute Mills Ltd.

Financial reforms are also needed to treat jute as a priority export industry, offering single-digit interest loans and export-linked credit facilities.

Strengthening applied R&D, certification, and product innovation will help capture premium markets, he added.

"Proactive trade diplomacy and global branding of 'Bangladeshi Jute' as a sustainable product are necessary to expand markets and improve pricing power," Pramanik said.

Climate change poses an additional risk by affecting jute yields, fibre quality and cultivable areas.

Addressing this will require climate-resilient jute varieties, improved agronomic practices, diversified cultivation zones and crop insurance, Pramanik said.

Looking ahead, Pramanik said the industry should adopt an export-led strategy, engage directly with global buyers, ensure compliance, professionalise management and invest in innovation and R&D.

Key opportunities include eco-friendly packaging, partnerships with global brands for certified jute bags and wraps, lifestyle and home décor products such as rugs, mats and furniture, and technical textiles including geotextiles and automotive composites.

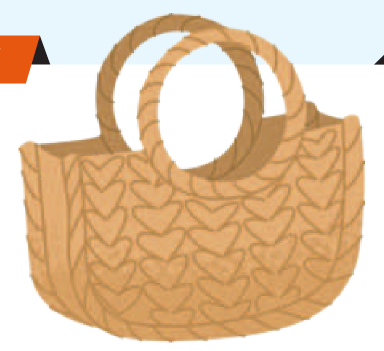
Agricultural and environmental applications, such as erosion control mats, also offer potential demand from NGOs and government projects, he said.

Bangladesh's strengths in the global jute market include abundant high-quality raw jute, an established production base, low-cost labour and a strong sustainability image.

TAKEAWAYS FROM INTERVIEW

Bangladeshi jute's edge

- Abundant supply of high-quality raw jute
- Cost-competitive labour compared to peers
- Naturally biodegradable, eco-friendly fibre
- Long history and skilled labour base



What needs to change

- Technology upgrade, productivity reset
- Financing for modernisation
- Shift to value-added, diversified products
- Stronger R&D
- Consistent policy support

Weaknesses

Old machinery, low productivity	High energy and financing costs	Dependence on low-value, traditional products	Weak product diversification and innovation	Inconsistent policy support

An economic miracle in 2026 is unlikely

MAMUN RASHID

Bangladesh's economy showed signs of consolidation in 2025. Market liquidity, especially foreign currency liquidity, improved significantly, driven by a rise in wage earners' remittances, a moderate increase in exports, and higher foreign aid disbursement. Inflation, however, continued to remain stubbornly high. The Bangladesh Bank had limited room to act, as the government relied heavily on high-cost borrowing from the banking sector. At the same time, debt defaults continued to weaken banks' ability to extend fresh credit.

High interest rates discouraged even capable entrepreneurs from pursuing new investments. Large banks found a "safe haven" in high-yield government treasury bonds rather than extending new loans to the private sector.

The interim government largely opted to maintain the status quo in public financial management. As a result, no new model emerged for budget allocation, social safety net management, or broader fiscal policy. Long-pending revenue reforms were pushed forward under IMF pressure, but deeper restructuring faltered due to legacy constraints within the civil bureaucracy. Some directional steps were visible from the central bank, yet tangible results will take years. These include identifying the holes created by bad loans and capital flight in large bank balance sheets, recovering siphoned-off funds, recapitalising major banks, and realising the benefits of Islamic banks' merger.

As a result, we can only be cautious about expectations for 2026. Development partners and the investment community have pinned high hopes on the national election scheduled for February, expecting political clarity to restore confidence among entrepreneurs and investors. Many believe this could open the door to higher job creation and stronger growth.

Inflationary pressure is also expected to ease. Analysts point to softer global food and energy prices, along with gradual domestic stabilisation. Still, a full economic turnaround will take time, as any new government will need months to design and implement effective policies. Much will depend on the direction the new leadership chooses and who ultimately drives decision-making. Ironically, even with a new government, limited change may occur unless the country abandons its age-old approach to economic management. Some relief is likely from improvements in the balance of payments and foreign exchange reserves.

The financial sector endured a difficult 2025, weighed down by rising non-performing loans. The merger of five troubled banks, though not yet visible in outcomes, is expected to create a stronger foundation for lending and financial stability in 2026.

Ongoing reforms are still very weak, but combined with the stability of a five-year policy horizon, they could give businesses greater confidence to invest. Higher investment following an inclusive and fair election would support employment, purchasing power, and overall growth.

Given the role of multiple stakeholders in Bangladesh's economic journey, the new government should engage more actively with global investors, trade partners, and development agencies. This requires political stability and peace in production belts. A conducive law and order situation is non-negotiable. Lower energy and food prices, alongside resilient global supply chains, could further support growth, provided no major disruptions emerge.

Several challenges from 2025 are likely to spill into the new year. Investment remains sluggish, and the pressure to create decent jobs for young people continues. In an emerging economy like Bangladesh, inflation must be managed carefully through market oversight and supply-side measures. Rising debt repayments call for stronger domestic revenue mobilisation through tax digitisation, capacity building, a firm stance against corruption, reduced VAT leakages, and expanded income tax collection. Close monitoring of the exchange rate is also essential.

Export growth has slowed in recent months, highlighting the need to lower the cost of doing business, improve turnaround times, and better management of industrial zones.

While diversification of products and markets has long been discussed, progress remains limited. As Bangladesh prepares to graduate from the LDC category this year, these measures will demand sharper focus and decisive action.

The writer is an economic analyst and chairman at Financial Excellence Ltd

Tesla cedes EV crown to China's BYD as sales slip

AFP, *Washington*

Tesla's sales fell in 2025, the company reported Friday, ceding its position as the world's biggest electric vehicle maker for the year to Chinese auto giant BYD.

The American company led by Elon Musk logged 418,227 deliveries in the final three months of the year, taking its full-year sales figure to around 1.64 million EVs.

This marked a drop in sales of more than eight percent compared with 2024.

A day prior, BYD said that it sold 2.26 million EVs last year.

Analysts had expected Tesla's sales in the final quarter to slow less, to 449,000, according to a FactSet consensus.

The pullback comes amid the elimination of a $7,500 US tax credit at the end of September 2025, with industry watchers noting it will take time for EV demand to rebalance.

But even before then, Tesla had seen sales struggle in key markets over CEO Musk's political support of US President Donald Trump and other far-right politicians.

Tesla has also been grappling with rising competition from BYD and other Chinese companies, and from European giants.

Shenzhen-based BYD, which also produces hybrid cars, unveiled record EV sales in the past year on Thursday.

Known as "Biyadi" in Chinese -- or by the English slogan "Build Your Dreams" -- BYD was founded in 1995 and originally specialized in battery manufacturing.

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US battery autonomy will upend EV hierarchy

REUTERS, *Hong Kong*

In 2026, US battery supply will outstrip demand, ending dependency on imports. Former President Joe Biden's policies set the changes in motion, and successor Donald Trump may take the credit. But the real winners are Korea's LG Energy Solution, Samsung SDI and SK On, who will be better able to take on China.

US demand for lithium-ion batteries, used to power cars and store energy, has been accelerating, but domestic supply failed to keep pace: consequently, for storage alone, the country has imported more than $100 billion in batteries and components since 2021, according to S&P Global, roughly half of which came from China. Increasing reliance on the People's Republic -- total lithium-ion battery shipments grew 15-fold in the decade to 2024, per International Trade Centre data -- worried policymakers.

Biden's 2022 Inflation Reduction Act flipped the script. The scheme awarded generous credits for local investment and production, slashing battery-making costs by 30 percent, the Center on Global Energy Policy estimates. Setting up factories was especially enticing for Korean giants, since Chinese rivals, including the world's largest battery maker Contemporary Amperex Technology, were effectively excluded. Now, the country could see an oversupply of lithium-ion batteries as soon as 2026, per Benchmark Minerals forecasts.

South Korean producers have invested some $20 billion to build out capacity, per S&P, and will account for more than two-fifths of the growth in production between 2025 and 2029, Benchmark Minerals estimated in 2024. The US was LGES's largest market by sales in the first half of 2025, and SK On expects to have more than doubled its capacity there in that year, compared with 2024.

An employee works at a company manufacturing lithium batteries in Huaibei, China. The United States imported more than $100 billion in batteries and components since 2021, roughly half of which came from China. PHOTO: AFP/FILE

That's feeding through to earnings. LGES and Samsung will turn a 2025 loss to a 2026 net profit of $700 million and nearly $400 million, respectively, according to Visible Alpha. SK Innovation's battery subsidiary SK On needs longer to reach profitability, but revenue will increase around 50 percent in the year ahead, Jefferies estimates. While Trump terminated electric-car subsidies in September, the energy storage market is growing quickly due to demand from AI data centres, and manufacturers are retooling production to cater to the latter.

There are other perks. Higher overall sales drive economies of scale in sourcing and also research. That, coupled with the lack of Chinese competition, has helped the Koreans play catch-up in commercialising lithium ferrous phosphate chemistry, a cheap and long-lasting kind of battery in which China's players until recently boasted a global monopoly. LGES is now producing LFP products in the US while Samsung begins production in 2026, and SK On is in discussions with automakers. The US is also a good testing ground for alternatives like lithium manganese-rich cells. That will help the three in other major markets like Europe.

Precious metals rise early in 2026 on rate cut bets

REUTERS

Precious metals began the first trading session of the New Year by building on the major gains of 2025 as geopolitical tension and expectations of US rate cuts keep demand for gold high.

Spot gold was steady at $4,313.29 per ounce, as of 01:46 p.m. ET, (1846 GMT), after rising as high as $4,402.06 earlier in the session. Bullion hit a record high of $4,549.71/oz on December 26, and logged a 64 percent rise in 2025.

US gold futures for February delivery settled 0.3 percent lower at $4,329.6/oz.

"We are continuing to see the market talk about cuts in March and maybe another cut later this year... that combination with significant talk about markets potentially being at risk with tariffs and continued US debt are all kind of moving gold, silver, platinum, and palladium higher," said Bart Melek, global head of commodity strategy at TD Securities.

GOLD HAS GREATER INVESTMENT APPEAL WHEN RATES FALL

Markets anticipate at least two quarter-point Fed rate cuts, making non-yielding gold more attractive to investors.

Gold, a traditional safe-haven asset, was also supported by news of unrest in Iran and the absence so far of a Russia-Ukraine peace deal, as well as issues surrounding Gaza.

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